

CALIFORNIA DEBT AND INVESTMENT ADVISORY
COMMISSION

Presents

Municipal Market Disclosure: Applications to Pension Disclosure

May 3, 2012
Ziggurat Building
707 Third Street
West Sacramento, California

AGENDA

Efforts to improve transparency related to municipal securities have stimulated debate concerning the content and timing of disclosures. This seminar, focusing on public pension disclosure, seeks to further that discussion by considering the primary and secondary disclosure practices maintained by state and local agencies. As reporting standards change, public officials need to understand the difference between what is required and what might be interpreted as best practices. The seminar seeks to assist local government officials and other market professionals to improve their understanding of the policy and regulatory environment surrounding municipal disclosure and how that environment may change in the future.

8:00am **Registration (Coffee and Breakfast Rolls)**

8:30am **Welcome and Opening Remarks**
Mark Campbell, Executive Director, CDIAC

8:35am **Introduction: Current Concerns in Municipal Disclosure**
A speaker will comment on the focus of the Municipal Securities Rulemaking Board's (MSRBs) efforts to improve disclosure in the market and describes how pension obligation disclosure in 2010-11 was problematic and how regulations are changing today.

Stephen Heaney, Board member, Municipal Securities Rulemaking Board

SESSION ONE

9:00am **Overview: SEC Regulations and the Disclosure Process**
In this session the panel will review federal securities laws and SEC rules governing disclosure with attention to rule changes resulting from recent reform efforts. Panelists will describe how municipal issuers satisfy disclosure requirements including initial,

continuing and material event reporting, and why good disclosure should be viewed as a process. In addition, panelists will describe recent SEC enforcement actions and penalties associated with municipal disclosure.

Facilitator: Mark Blake, Deputy City Attorney, City and County of San Francisco

Stephen Melikian, Partner, Jones Hall

David Brodsky, Managing Director, KNN Public Finance

Jennifer Johnston, Vice President/Research Analyst, Franklin Templeton

10:45am Break

SESSION TWO

11:00am Pension Mechanics and Math

Knowledge of pension mechanics, mathematics, and actuarial practices provides an important foundation for a better understanding of the issues surrounding pension liabilities. In some cases, plan funded ratios are not always a reliable indicator of the financial health of a pension fund. This session provides education on the mechanics of pensions and includes discussion of:

- Funded ratio and its relevance
- Concepts behind calculating the value of the plan assets and the unfunded actuarial accrued liability (UAAL)
- Determining the appropriate discount rate
- Calculating current year pension expense
- Meeting the annual required contributions (ARC)

Robert McCrory, Executive Vice President, EFI Actuaries

Noon Luncheon for all Speakers and Participants

SESSION THREE

1:15pm Pension Disclosure Practices and Issues

The SEC has now issued two cease-and-desist orders against issuers for failing to provide adequate securities disclosure of public pension liabilities and obligations. Panelists on this session will discuss fundamental disclosure issues surrounding public pension plans, the administrative challenges, and the effect pension liabilities have on public agency budgets and disclosure practices. The panel will address questions such as:

- What do issuers report now about their pension liabilities and obligations?
- What standards apply to the determination of liabilities and obligations?
- How do pension obligations become material facts for investors?

- Why do investors care about an issuer's pension liabilities and costs?
- When are increasing pension contributions a concern?
- How might pension funding practices conceal structural budget imbalances from investors, taxpayers and even officials of the issuer? What considerations should drive the extent of an issuer's pension disclosure?
- What information should be provided by issuers in multi-employer systems like CalPERS and CalSTRS?

Facilitator: Dan Deaton, Partner, Nixon Peabody LLC

John McNally, Partner, Hawkins Delafield and Wood and President of The National Association of Bond Lawyers

Stephen Heaney, Managing Director, Stone and Youngberg LLC

Mark Adler, Managing Director, Piper Jaffray

2:45pm

Break

SESSION FOUR

3:00pm

Disclosure Reporting Standards for Pension Obligations

In June 2011, GASB released proposed changes to the rules governing pension accounting and financial reporting by public agencies. This session provides a review of existing and proposed reporting standards and includes a discussion of how the new proposed standards will affect credit quality and issuer reporting practices. This includes:

- How do current reporting rules affect state and local agencies and their pension disclosures?
- What are the proposed GASB changes to public pension accounting and reporting?
- How will changes affect the connection between pension accounting and pension funding? Will it improve transparency and the usefulness of the information?
- Will the new rules affect how the market interprets an agency's financial position? And how will this affect their credit ratings?
- What additional information should issuers provide to ensure better adherence to a pension funding strategy?

David Sundstrom, Treasurer-Tax Collector, County of Sonoma and Board member of Government Accounting Standards Board

Brian Whitworth, Senior Vice President, First Southwest Company

Alan Milligan, Chief Actuary, California Public Employee Retirement System

4:00pm **Break**

SESSION FIVE

4:15pm **Good Pension Disclosure Roundtable-What Does It Look Like?**

There are government agencies that are very practiced at communicating their pension plan liabilities. How do California agencies stack up? This session will provide a look inside the good pension disclosure practices of several municipalities in California.

*Moderator: Brian Whitworth, Senior Vice President, First Southwest Company
Mark Blake, Deputy City Attorney, City and County of San Francisco
Tracy Mc Craner, Director/Treasurer, Administrative Services, City of Newport Beach
Sandra Kim, Executive Director, Capital Markets Finance, University of California
Office of the President*

5:00 PM **Close of Seminar**